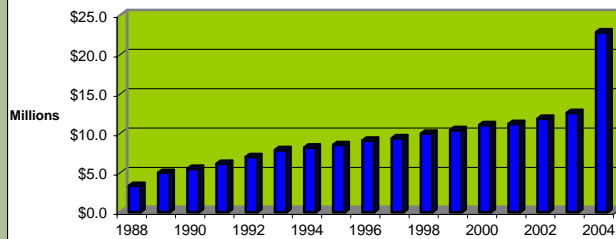


How Much Has Been Collected Each Year?

The chart below shows bed tax collections since the inception of the Lodging Facility Use Tax in 1988. Within the first five years of the tax, collections increased rapidly. Over the past 10 years, collections have increased an average of approximately 4 percent each year. In 2004, there was an increase of 81 percent due to the new 3 percent accommodation sales tax.

Bed Tax Collections (FY 1988-2004)



“The bed tax is reported and paid by each lodging facility to the Montana Department of Revenue on a quarterly basis.”

Legislative Fiscal Division



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LEGISLATIVE FISCAL DIVISION



FOCUS ON... MONTANA'S BED TAX

Nov. 2004

Fiscal Pocket Guide



“Bed tax proceeds are automatically distributed according to statute.”

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What Is the 'Bed Tax', and How Long Has it Been in Place?

Montana has a total 7 percent tax on lodging facilities in the state, commonly referred to as the "bed tax". The total tax is divided into two parts: 1) A 4 percent Lodging Facility Use Tax, which has been in place since 1987. This tax equals 4 percent of the rate charged by a lodging facility and is collected from customers of the facility upon payment. The tax can only be based on the fees charged for lodging and cannot include the costs for meals, transportation, entertainment, or any other similar charges. 2) A 3 percent accommodations sales tax, which was enacted by the 2003 legislature. This tax, imposed for the "privilege of using property or services within this state", is equal to 3 percent of the rate charged on accommodations.

What Is Meant by a 'Lodging Facility'?

The term lodging facility was statutorily defined to include a hotel, motel, campground, resort, dormitory, condominium inn, dude ranch, guest ranch, hostel, public lodginghouse, or bed and breakfast facility. In order to avoid taxing those facilities often used as a permanent source of housing but rented on a short-term basis, statute exempts facilities whose rates do not exceed 60 percent of the allowable reimbursement for actual cost of lodging to state employees.

How Are Bed Tax Collections Spent?

Each individual tax is distributed differently: 1) All collections from the 3 percent sales tax are deposited to the state general fund. 2) Pursuant to the statement of intent provided by the legislature when it enacted the bed tax, all Lodging Facility Use Tax proceeds are to be dedicated to the promotion of Montana's travel and tourism industries. Of the total collections, \$400,000 is allocated to the Montana Heritage Preservation and Development Account. Additionally, state funds are reimbursed for any bed tax paid by state employees while on official business, and the Department of Revenue is allowed to keep an amount based on estimated costs of collecting and disbursing the proceeds from the tax. Vendors are permitted to retain 5 percent of collections for administrative allowance, up to \$1,000 per quarter. The remaining proceeds are statutorily allocated as follows:

- 67.5% to the Department of Commerce;
- 22.5% to be distributed by the Department of Commerce to regional nonprofit tourism corporations as defined in 15-65-101(6), MCA;
- 6.5% to the Department of Fish, Wildlife, and Parks for maintenance of facilities in state parks that have both resident and nonresident use;
- 2.5% to the University System, for the establishment and maintenance of a Montana travel research program.; and
- 1% to the Montana Historical Society to be used for the installation or maintenance of roadside historical signs and historical sites.

Bed tax proceeds are automatically distributed according to statute. Therefore, each agency's allocation will increase or decrease each year based on total collections.

The table below shows bed tax collections and allocations for fiscal 2004 as reported by the Department of Commerce. It should be noted that the amounts shown are allocations and do not necessarily represent expenditures.

Fiscal 2004 Bed Tax Collections and Allocations	
Total Collections	\$22,851,830
Off-The-Top Allocations	
Department of Revenue:	\$137,254
General Fund:	9,278,658
Heritage Preservation and Development:	400,000
Allocation of Remaining Collections	
Dept. of Commerce (67.5%):	\$8,799,245
Regional Nonprofit Tourism Corps.(22.5%):	2,933,082
Dept. of Fish, Wildlife, and Parks (6.5%):	847,335
University System for Montana Travel (2.5%):	325,898
Montana Historical Society (1%):	130,359
Total Allocations:	<u>\$22,851,830</u>